

# Washington State Health Care Authority

## DESIGN TEAM MEETING SUMMARY

### K-12 HEALTH BENEFITS PROJECT

OCTOBER 6, 2011

HCA LACEY SUE CRYSTAL CENTER

9:00 AM – 1:00 PM

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**Purpose:** The purpose of this meeting is for the HCA Project Design Team to share perspectives on design boundaries (not specific criteria) of the purchasing strategy for a K-12 consolidated benefits system and learn about purchasing policy feedback from the K-12 Advisory Team. This will assist in establishing the scope we must work within to achieve a proposal that is aligned with all authorizing entities.

#### Participants:

##### HCA Project Design Team and Project Support Team

Tim Barclay  
Michael Pickett  
Michael Arnis  
Andrew Cherullo  
Jim Stevenson  
Mary Fliss  
Annette Meyer  
John Williams  
Rich Campbell  
Linda Blankenship  
Peter Summerville

#### Meeting Summary:

The following summary includes all the issues raised over the course of discussion about the various design boundaries for a purchasing strategy for a consolidated K12 health benefits system.

#### Engagement

An update was given on meetings with selected Legislators from the Senate and House caucuses and Ways and Means committees. The overall result has been confirmation of the project scope as initially developed by HCA, additional guidance on the topics of prime interest, and enhanced clarity that this project is to result in an action plan for a consolidated purchasing system, not just another study of the current K-12 health benefits system. Items of note from the discussions include:

- The proposed purchasing system design needs to be developed to the point that HCA can move forward to implement the system without delay.
  - It was confirmed that cost saving is not the only issue; transparency and equity are as important in designing a consolidated system.
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- Access to quality, affordable health benefits for both employees and dependents is a paramount issue to be addressed. How premiums for family coverage are determined and how employer-employee premium cost-sharing is set must be addressed in the proposed consolidated purchasing strategy. This topic will need balance between resolving family access issues and the scope of collective bargaining.
- It is generally understood that the focus on cost savings at this point is limited to administration and operations costs; not benefit utilization costs.
- It is generally understood that the potential result of administrative simplification and changes to purchasing strategy will be reductions in system expenditures (avoided costs) that will be accounted for in future budgets; not the return of previously allocated funds.
- It is generally understood that expenditure reductions will be realized post-implementation and will most likely not reach full effect at once.
- It is generally understood that the report is dependent on the quantity and quality of objective data that HCA can access and that the limited time available will limit access.
- It was confirmed that there are outstanding questions that additional data will inform and the HCA is to do the best it can to obtain data. Using the data available HCA is to use it to expand the knowledge base established by the HayGroup report, provide new information specific to the report scope. In addition, HCA is to identify data sources and elements that were not accessible for consideration in the report preparation and how access to this data could be obtained in the proposed consolidated system.

#### **Review of October 5, 2011 Advisory Team Meeting**

The design team reviewed information gained from the October 5, 2011 Advisory Team meeting.

- A. Administrative Costs – It was noted that there is no consistent set of administrative costs that form the basis for discussions about the cost burden being experienced by individual school districts. Variations in the annual benefit period, approaches to benefits administration (school district staff versus contracted services), approaches and expenses related benefit plan purchasing support, etc., all come into play when trying to understand the true costs of system administration.

The data that HCA has requested will not be sufficient to drill down into administrative cost categories due to both the absence of granular data at the source level and inconsistency in the way data elements are defined and aggregated at the individual school district level.

The team discussed the feasibility of conducting a mini-study of school districts that currently participate in the PEBB program and school districts that do not to determine if some granularity of administrative costs can be evaluated. It was cautioned that there will be limited value due to the lack of usable data. It may be worthwhile making the effort to be able to document the degree to which data is lacking and whether it is a result of the data not being gathered and summarized effectively or a result of the data not being transparent to the system.

Follow Up Action:

- Cover the issue of administrative cost data availability as a transparency component in the report;
  - Consider the pros and cons of implementing a consolidated system on a benefit cycle consistent with the normal school year (Oct-Sep) and a benefit cycle consistent with the State calendar year (Jul-Jun).
  - Address data availability to the Program Administrative Agency as part of the design – authority to require reporting by participating school districts and carriers, reporting as criteria for participation exemption.
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- Further explore a mini-study of school district administrative costs.
- B. Local Collective Bargaining Law – It was noted that there are questions about the degree to which a consolidated system proposal can impact local collective bargaining without requiring a change in current State law.

Follow Up Action: This topic has been identified to be addressed in the report and representatives of the Office of Financial Management labor relations office, HCA legal services, and the Attorney General's Office have been recruited to assist in working through the issues.

- C. Funding Allocation – Several components were identified related to the funding allocation and how benefit funds are distributed.
1. People waiving coverage – There were differing opinions voiced during the Advisory Team meeting about the nature and importance of re-allocation of monies when an eligible person waives benefits coverage. This is an issue that needs to be fully explored to understand how the waived funds are currently being re-allocated and for what purposes and whether a different approach is required in a consolidated system. Some key issues will be:
    - a. Will the school districts incur substantially larger cost-sharing burden if they lose the ability to by-down the local share when waived funds are available and what does this do the feasibility of a consolidated system?
    - b. What business model is most appropriate in terms of the overall business model adopted by HCA in administering the consolidated system.
  2. How State allocation is distributed and used – Several aspects related to funding came up in the Advisory Team meeting.
    - a. How funds are distributed is the underlying driver of equity concerns. At this time there is still uncertainty about what is being represented as an inequity – is it a matter of lack of consistency across the system and if so is it in terms of;
      - Uniformity among school districts in using the state allocation for health care benefits;
      - Uniformity in how the state allocation is distributed among employee groups and among individual employees at the school district level or across the system;
      - Uniformity in how total funding is distributed among employee groups and among individual employees at the school district level or across the system;
      - Uniformity in how much funding is allocated for dependent coverage, etc.
    - b. It needs to be acknowledged that funding allocation is a large piece of collective bargaining and any proposed change will likely impact the scope of local bargaining.
    - c. The current practice of pro-rating premiums is of high importance. The fiscal implications of moving to uniform premium cost-sharing for all participants are likely substantial.
    - d. There are school districts presently that have developed benefits programs that incorporated greater consistency and uniformity across their employee populations while retaining pro-rating of premium cost-sharing.
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- e. There are school districts presently that report success in administering their benefits programs without having to incorporate uniformity across employee groups and family tiers.

Follow Up Action:

- Add identified issues and descriptions of current system to list for consideration during consolidated system design.
- Identify how these issues are handled by Other States and WA School Districts selected for case studies.
- Provide clarification on the issue of 'equity'.
- Discuss the current PEBB premium cost-sharing methodology as it relates to equity in the report section comparing current K-12 with the current PEBB program.

- D. Transparency – At this time there is still uncertainty about what is being represented as a lack of transparency in the current K-12 system. This needs to be better defined.

The lack of accessible detail about administrative fees and how monies flow through system were identified as transparency problems to be addressed by HCA in the report. Efforts to date to gather additional data indicates data sources to inform these two topics will not be accessible within the project timeline.

School districts recognize that under some circumstances in the current system there is information specific to the individual district level that is unavailable to them and this impedes their ability to fully analyze and manage their benefits programs.

Follow Up Action: Provide clarification on the issue of 'transparency'.

- E. Network Adequacy – Loss of access to current providers during a transition to a consolidated system is a concern. The report needs to address this issue.

Follow Up Action: Add identified issues and descriptions of current system to list for consideration during consolidated system design.

- F. Problems with current PEBB program – The Advisory Team re-asserted its concern that the current PEBB program does not attract school districts on a voluntary basis and the reasons for this need to be understood. The primary surface issue keeping people out of voluntary PEBB is the cost differential between the State allocation to K-12 and the \$850 premium charged to school districts for eligible employees. Another issue raised is the aging of the active K12 population vs. PEBB.

Follow Up Action:

- Add issue of \$850 premium to list of pros and cons for report section comparing current K-12 with current PEBB program.
  - Address request to look at the districts that use PEBB now and the districts that have left PEBB and the reasons why.
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- G. Timing of Report Distribution – The Advisory Team requested more detail on the timing of distribution of a comprehensive draft report and the timing of the release of the final report. The Advisory Team wants an opportunity to see the full scope of the HCA proposal and have an opportunity to identify any unworkable elements and provide other comment.

Follow Up Action:

- Review project critical path and report back to Advisory Team the planned timing of distribution of a comprehensive draft report.
- Decisions on the process that will be followed for HCA distribution of the final report need to be made in consultation with the Governor's Office and Legislative Leadership. This item will be raised to the HCA Executive level for action.

### **Moving Forward with Consolidated System Design**

There is recognition among the participating project teams that there is limited time available to complete the project and this places limitations on the degree of detail to which additional data can be aggregated, key design elements defined, and implementation resource needs delineated. In order to complete the project on schedule, a balance is needed between high level policy definition and level of detail specification. Consideration of the role a governing board will play in establishing system design is one avenue to achieving the balance needed. Transitioning into a full-scale system over a period of time or extending the period for implementation have also been raised during discussions with project participants to enable a consolidated system to proceed successfully.

The team reviewed and discussed the list of activities from the project plan that are underway or scheduled to begin at this time and issues that have been identified requiring additional research:

- Activities Underway
    1. School District and Carrier Public Disclosure Request - data gathering and analysis
    2. Stakeholder engagement – individual and team
    3. Description of current K-12 system
    4. Description of current PEBB system
    5. Scenario 1 – Mandatory K-12 participation in PEBB; pros and cons
    6. Policy level discussion of options for voluntary participation & exemption from mandatory participation
    7. Policy level discussion of feasibility for self-insuring benefits at start of system – impact of start-up funding
    8. Implementation project planning
    9. Case studies of selected other States and WA school districts
    10. Review of local collective bargaining law
  - Activities Scheduled to Begin
    1. Policy survey
    2. Decisions on Scenario 1
    3. Benefit portfolio relative value comparison – current K-12 and PEBB
    4. Clarification of 'equity' and 'transparency'.
    5. Policy decisions to guide development of Scenario 2
      - a. Employer groups eligible for participation
      - b. Mandatory vs. voluntary participation
      - c. Insurance model – self-insured vs. fully-insured.
      - d. Covered benefits at initial implementation
      - e. Pro-rating and tiering
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6. National Health Reform/Affordable Care Act - compliance requirements and impact mitigation potential.

- Issues for Additional Research
  1. Mini-study of K-12 school district administrative costs
  2. Benefit year alternatives – school year vs. calendar year
  3. Mini-study of K-12 experience with PEBB

### **Purchasing Policy Survey**

A survey has been developed to solicit perspectives and preferences on an array of purchasing policy options from which the final HCA proposal design will develop. The survey will be distributed between October 10 and 19 through the K-12 Project email system. Survey results will be reported in a manner that maintains anonymity of individual respondents. This survey is being conducted to capture perspectives and preferences regarding high-level policy approaches and will be used to inform the HCA design process. However the survey results are not binding on HCA in terms of defining the final proposal design.

### **K-12 Consolidated System Scenario 1**

The design team reviewed the October 5 Advisory Team presentation on the pros and cons of Scenario 1 and feedback received during the meeting. Based on the analysis and feedback, the team determined that the incorporating K-12 into the current PEBB program on a mandatory basis is not feasible given the magnitude of negative impact that would occur to both the K-12 system and the PEBB program. Decision: Dismiss Scenario 1 as is and move to discussion of potential modification of Scenario 1 to find reasonable solutions.

### **K-12 Consolidated System Alternate Scenario 1a**

The design team brainstormed possible modifications to the current PEBB program design to overcome the major negative impacts identified for Scenario 1. The team was unable to identify sufficient modifications that could realistically overcome the negative impacts to the PEBB program.

Decision: Dismiss development of an Alternate Scenario 1a and move to discussion of Scenario 2 – separate K-12 consolidated benefits system.

### **Purchasing Policy Discussion**

Discussions began regarding policy options to guide the development of Alternate Scenario 2.

- A. Cost-neutrality – Scenario 2 needs to be developed to achieve cost-neutrality under an assumption that the current level of total revenue remains the same. This will establish a baseline for consideration of the fiscal feasibility of the proposal.

Once the baseline is established HCA has the latitude to modify Scenario 2 to achieve greater progress toward the stated goals and objectives or to increase the fiscal feasibility of the proposal by incorporating an assumption of increased total revenue. HCA does not have the latitude to incorporate an assumption that changes the current FTE formula that determines the State Allocation.

- B. Participating Employer Groups – The design team reached agreement that initially a consolidated system should serve public school districts and educational service districts. Community Colleges and Technical Colleges should not be eligible for participation at the start.
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- C. Participating Employee Groups – The design team reached agreement that initially a consolidated system should serve active employees of public school districts and educational school districts and pre-Medicare retirees of those two employer groups. Consideration of Medicare retirees cannot be made until further financial analysis is completed on the impacts to the current PEBB Medicare risk pool and whether creating two separate risk pools for K-12 Medicare retirees and State Medicare retirees is feasible.
- D. Other Essential Policy Decisions – The team identified the following policy topics to be of priority for decision:
  - a. Consolidated system governance structure;
  - b. Required participation - mandatory versus voluntary, exemptions or incentives;
  - c. Risk management – self-insured versus fully-insured benefits

### **Implementation Planning**

An implementation workgroup has been formed to complete the project plan specific to an implementation strategy for the consolidated system. The workgroup's ability to move forward is contingent on key policies being finalized quickly. The workgroup has a meeting scheduled to assure all essential elements of implementation have been identified and to begin discussions specific to IT systems and services. The team briefly discussed the risks associated with achieving implementation for the 2013-14 school year. The question was raised whether it would be advisable to present two implementation plans in the final report; one tailored to implementation for the 2013-14 school year to comply with the budget proviso and one tailored to implementation at a later date to improve the quality of the system at start-up. No decision was made at this time.

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